



House of Representatives

File No. 817

General Assembly

January Session, 2017

(Reprint of File No. 765)

Substitute House Bill No. 7263
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 31, 2017

***AN ACT CONCERNING REVISIONS AND TECHNICAL CHANGES TO
THE TAX AND RELATED STATUTES, AND CERTAIN EXEMPTIONS
FROM THE PROPERTY TAX.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subdivision (1) of subsection (e) of section 4-28n of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2017*):

4 (e) (1) [At least ten days prior to the first day of each calendar
5 quarter,] In conjunction with the certification required under section 4-
6 28l and as a condition precedent to having its brand families listed or
7 retained in the directory, each nonparticipating manufacturer shall
8 [file] post annually with the commissioner [a surety bond, the form of
9 which shall be approved by the Attorney General,] either a good and
10 valid bond that is issued by a [bonding company or insurance] surety
11 company authorized to do business in this state [. The bond shall be in
12 favor of the commissioner and be in the principal sum of] or other
13 security acceptable to the commissioner. Any bond or other security
14 shall be in favor of the state of Connecticut and shall be equal in

15 amount to the greater of (A) twenty-five thousand dollars, or (B) the
16 greatest amount of the total escrow [payments] owed for a calendar
17 year in any of the five calendar years preceding the [filing] posting of
18 such bond or other security. The commissioner may, in consultation
19 with the Attorney General, authorize the release of such bond or other
20 security once it has been established that the nonparticipating
21 manufacturer has met the requirements of section 4-28i.

22 Sec. 2. Subdivision (3) of subsection (a) of section 4-28m of the
23 general statutes is repealed and the following is substituted in lieu
24 thereof (*Effective October 1, 2017*):

25 (3) The commissioner shall not include or retain in the directory any
26 brand family of a nonparticipating manufacturer if the commissioner
27 concludes: (A) All escrow payments required pursuant to the
28 provisions of sections 4-28h to 4-28j, inclusive, for any period for any
29 brand family, whether or not listed by such nonparticipating
30 manufacturer, have not been fully paid into a qualified escrow fund
31 governed by a qualified escrow agreement that has been approved by
32 the Attorney General; (B) any outstanding final judgment, including
33 interest thereon, for a violation of sections 4-28h to 4-28j, inclusive, has
34 not been fully satisfied for such brand family and such manufacturer;
35 or (C) a nonparticipating manufacturer's total nation-wide reported
36 sales of cigarettes on which federal excise tax is paid exceeds the sum
37 of (i) its [nation-wide reports] total interstate sales, as reported under
38 15 USC 375 et seq., as from time to time amended, or those made by its
39 importer, and (ii) [any intrastate sales reports under 15 USC 375 et seq.,
40 as from time to time amended] its total intrastate sales, by more than
41 [five] two and one-half per cent of its total nation-wide sales [or one
42 million cigarettes, whichever is less,] during any calendar year, unless
43 the nonparticipating manufacturer cures or satisfactorily explains the
44 discrepancy not later than ten days after receiving notice of the
45 discrepancy.

46 Sec. 3. Subdivision (3) of subsection (b) of section 4-28o of the
47 general statutes is repealed and the following is substituted in lieu

48 thereof (*Effective October 1, 2017*):

49 (3) Notwithstanding the provisions of section 12-15, the
50 commissioner may disclose to the Attorney General any returns or
51 return information, as defined in section 12-15, received pursuant to
52 this chapter or chapter 214 or 214a, when such returns or return
53 information is directly related to the state's implementation of the
54 Master Settlement Agreement or the Nonparticipating Manufacturer
55 Adjustment Settlement Agreement. The Attorney General may further
56 disclose (A) such returns or return information [pursuant to an
57 agreement with an entity designated to serve as a data clearinghouse]
58 in accordance with the terms of the Nonparticipating Manufacturer
59 Adjustment Settlement Agreement, or (B) returns or return
60 information of [a distributor licensed] any person purchasing or selling
61 cigarettes or tobacco products taxable under the provisions of chapter
62 214 or [chapter] 214a, to a participating manufacturer or a
63 nonparticipating manufacturer subject to the provisions of subsection
64 (a) of section 4-28i, provided the information disclosed is limited to
65 information relating to such manufacturer's sales to consumers within
66 this state, whether directly or through a distributor, dealer or similar
67 intermediary or intermediaries, of cigarettes, as defined in section 4-
68 28h.

69 Sec. 4. Subsection (b) of section 2-124 of the general statutes is
70 repealed and the following is substituted in lieu thereof (*Effective from*
71 *passage*):

72 (b) The commission shall consist of the following members:

73 (1) Three appointed by the speaker of the House of Representatives,
74 one of whom shall be an executive at a publicly traded corporation;

75 (2) Three appointed by the president pro tempore of the Senate, one
76 of whom shall be an attorney;

77 (3) One appointed by the majority leader of the House of
78 Representatives, who shall be a member of an employee advocacy

79 group;

80 (4) One appointed by the majority leader of the Senate, who shall be
81 an economist;

82 (5) One appointed by the minority leader of the House of
83 Representatives, who shall be a representative of a major corporation
84 that has its headquarters in the state;

85 (6) One appointed by the minority leader of the Senate, who shall be
86 the owner of a small business based in the state;

87 (7) The Commissioner of Revenue Services, or the commissioner's
88 designee;

89 (8) The Commissioner of Economic and Community Development,
90 or the commissioner's designee;

91 (9) A representative of the Connecticut Business and Industry
92 Association, who shall be appointed by the president of said
93 association;

94 (10) The chairpersons and ranking members of the joint standing
95 committee of the General Assembly having cognizance of matters
96 relating to finance, revenue and bonding or the chairpersons' or
97 ranking members' designees;

98 (11) The chairpersons and ranking members of the joint standing
99 committee of the General Assembly having cognizance of matters
100 relating to commerce or the chairpersons' or ranking members'
101 designees;

102 (12) One appointed by the Governor; and

103 (13) The chairperson of CTNext, or the chairperson's designee.

104 Sec. 5. Section 12-18d of the general statutes is repealed and the
105 following is substituted in lieu thereof (*Effective October 1, 2017*):

106 During the fiscal year ending June 30, 2017, an amount equal to the
107 appropriation from the Municipal Revenue Sharing Fund to the Office
108 of Policy and Management shall be transferred from the General Fund
109 to the Municipal Revenue Sharing Fund and shall be distributed by
110 said office, during [each] such fiscal year, in accordance with the
111 provisions of sections 4-66l, 4-66p and 12-18b.

112 Sec. 6. Subdivision (2) of subsection (a) of section 12-35f of the
113 general statutes is repealed and the following is substituted in lieu
114 thereof (*Effective October 1, 2017*):

115 (2) "Claimant state" means any other state or the District of
116 Columbia [which] that extends a like comity for the collection of taxes
117 [owned] owed to this state;

118 Sec. 7. Subdivision (1) of subsection (e) of section 12-414 of the
119 general statutes is repealed and the following is substituted in lieu
120 thereof (*Effective October 1, 2017*):

121 (1) The commissioner, if he or she deems it necessary in order to
122 [insure] ensure payment to or facilitate the collection by the state of the
123 amount of taxes, may permit or require returns and payment of the
124 amount of taxes for other than monthly or quarterly periods.

125 Sec. 8. Section 12-649 of the general statutes is repealed and the
126 following is substituted in lieu thereof (*Effective October 1, 2017*):

127 The provisions of sections 12-548 to 12-554, inclusive, and section
128 12-555a shall apply to the provisions of this [section] chapter in the
129 same manner and with the same force and effect as if the language of
130 said sections 12-548 to 12-554, inclusive, and section 12-555a had been
131 incorporated in full into this chapter and had expressly referred to the
132 tax under this chapter, except to the extent that any provision is
133 inconsistent with a provision in this chapter.

134 Sec. 9. Subsection (b) of section 51-56a of the general statutes is
135 repealed and the following is substituted in lieu thereof (*Effective*

136 October 1, 2017):

137 (b) (1) The state shall remit to the municipalities in which the
138 violations occurred all amounts received in respect to the violation of
139 subdivision (2) of subsection (a) of section 14-12, sections 14-251, 14-
140 252, 14-253a and 14-305 to 14-308, inclusive, or any regulation adopted
141 thereunder or ordinance enacted in accordance therewith, and (2) in
142 the case of the municipalities ranked one to eight, inclusive, when all
143 municipalities are ranked from highest to lowest in population, based
144 on the most recent federal decennial census, the state shall remit to the
145 municipality in which the violations occurred [.] fifty per cent of the
146 fine amounts received in respect to the violation of section 14-250b, or
147 any ordinance enacted in accordance therewith. Each clerk of the
148 Superior Court or the Chief Court Administrator, or any other official
149 of the Superior Court designated by the Chief Court Administrator,
150 shall, on or before the thirtieth day of January, April, July and October
151 in each year, certify to the Comptroller the amount due for the
152 previous quarter under this subsection to each municipality served by
153 the office of the clerk or official, provided prior to the institution of
154 court proceedings, a city, town or borough shall have the authority to
155 collect and retain all proceeds from parking violations committed
156 within the jurisdiction of such city, town or borough.

157 Sec. 10. Subdivision (33) of section 12-81 of the general statutes is
158 repealed and the following is substituted in lieu thereof (*Effective*
159 *October 1, 2017, and applicable to assessment years commencing on or after*
160 *October 1, 2017*):

161 (33) Musical instruments, [inclusive of] radios, [and] television sets,
162 cellular mobile telephones, computers and mobile electronic devices,
163 as defined in section 10-222d, used by and belonging to any family;

164 Sec. 11. Section 12-81 of the general statutes is amended by adding
165 subdivision (78) as follows (*Effective October 1, 2017, and applicable to*
166 *assessment years commencing on or after October 1, 2017*):

167 (NEW) (78) Machinery and equipment (A) used in the process of

168 coloring or mixing paint, including, but not limited to, spectrographic
 169 color matching machines, automatic colorant dispensers, paint shakers,
 170 and computer equipment related to such machinery and equipment,
 171 and (B) used by retailers that offer paint for sale at retail in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2017</i>	4-28n(e)(1)
Sec. 2	<i>October 1, 2017</i>	4-28m(a)(3)
Sec. 3	<i>October 1, 2017</i>	4-28o(b)(3)
Sec. 4	<i>from passage</i>	2-124(b)
Sec. 5	<i>October 1, 2017</i>	12-18d
Sec. 6	<i>October 1, 2017</i>	12-35f(a)(2)
Sec. 7	<i>October 1, 2017</i>	12-414(e)(1)
Sec. 8	<i>October 1, 2017</i>	12-649
Sec. 9	<i>October 1, 2017</i>	51-56a(b)
Sec. 10	<i>October 1, 2017, and applicable to assessment years commencing on or after October 1, 2017</i>	12-81(33)
Sec. 11	<i>October 1, 2017, and applicable to assessment years commencing on or after October 1, 2017</i>	12-81

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 18 \$	FY 19 \$
Various Municipalities	Grand List Loss	Potential	Potential

Explanation

The bill makes a number of technical and conforming changes, as well as adjustments related to the state's tobacco settlement law, that do not result in any fiscal impact to the state.

Sections 10 and 11 exempt from property taxes: 1) certain equipment used for mixing paint sold at retail, and 2) cell phones used by and belonging to any family. This results in a grand list reduction, which would result in a revenue loss, given a constant mill rate. Information about the assessed value of this equipment, how much of this equipment is owned by retail establishments, and the municipalities this equipment is located in, is not readily available.

House "A" eliminates the provisions pertaining to the destruction of certain confiscated vehicles, which does not result in any fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 7263 (as amended by House "A")******AN ACT CONCERNING REVISIONS AND CHANGES TO THE TAX AND RELATED STATUTES, CERTAIN EXEMPTIONS FROM THE PROPERTY TAX, AND DIRT BIKES AND SIMILAR VEHICLES.*****SUMMARY**

This bill makes the following unrelated changes in state laws:

1. makes several minor changes to the state's tobacco settlement law (§§ 1-3);
2. allows the ranking members of the Commerce and Finance, Revenue and Bonding committees to appoint designees to serve in their place on the Commission on Economic Competitiveness (§ 4);
3. makes various technical corrections and changes to statutes concerning taxes and motor vehicle fines (§§ 5-9); and
4. exempts from property tax certain (a) household electronic devices and (b) paint coloring and mixing machinery and equipment (§§ 10 & 11).

*House Amendment "A" eliminates provisions allowing municipalities to destroy certain confiscated vehicles.

EFFECTIVE DATE: October 1, 2017, except the change to the Commission on Economic Competitiveness is effective upon passage and the property tax exemptions are effective October 1, 2017 and applicable to assessment years beginning on or after that date.

TOBACCO SETTLEMENT LAW CHANGES

The state's tobacco settlement law requires tobacco product manufacturers to either (1) enter into the master settlement agreement between Connecticut and four leading tobacco companies and comply with its terms and conditions (i.e., participating manufacturers) or (2) pay into a qualified escrow account a specified amount for each cigarette they sell in the state (i.e., nonparticipating manufacturers (NPM)). All manufacturers must annually certify to the Department of Revenue Services (DRS) commissioner and attorney general that they are complying with these requirements in order to have their "brand families" listed in the Connecticut Tobacco Directory and sell their products in the state.

NPM Sales Reports (§ 2)

The tobacco settlement law requires NPMs to demonstrate through their sales reports and invoices that their products are being sold legally throughout the country. It prohibits the DRS commissioner from listing an NPM's brand families in the directory if there are discrepancies between the NPM's nationwide sales on which federal excise tax has been paid and its sales documented on federally required sales reports. Under current law, the maximum allowable discrepancy is the lesser of 5% of the NPM's total annual sales or one million cigarettes. The bill instead sets the maximum allowable discrepancy at 2.5% of the NPM's total annual sales. It also makes technical changes to the sales reports used to assess the discrepancy.

Surety Bonds (§ 1)

Current law requires NPMs to quarterly file a surety bond with the DRS commissioner to have their brand families listed in the directory. The bill authorizes them to provide an alternative form of security that is acceptable to the DRS commissioner (e.g., cash) and requires them to post the bond or security annually. The amount of the bond or security must be the greater of (1) \$25,000 or (2) the greatest amount of total escrow owed in any of the five calendar years before the bond's or security's posting, as is currently required for the quarterly surety bond.

The bill also allows the DRS commissioner, in consultation with the attorney general, to release the bond or security once the NPM has met its escrow obligation.

Information Disclosures (§ 3)

The bill broadens the tax return and return information the attorney general may disclose under the tobacco settlement law and the entities to whom he may disclose this information.

Current law authorizes him to disclose a licensed cigarette or tobacco product distributor's tax information to an NPM. The bill instead allows him to disclose tax information for any person purchasing or selling taxable cigarettes or tobacco products, not just distributors, to both participating and nonparticipating manufacturers. As under existing law, the attorney general may only disclose such tax information if it relates to the manufacturer's Connecticut sales.

The bill also eliminates a requirement that disclosures pursuant to the NPM Adjustment Settlement Agreement (i.e., the May 24, 2013 settlement between the state and certain tobacco product manufacturers) be limited to an entity the agreement designates to serve as a data clearinghouse.

PROPERTY TAX EXEMPTIONS

The bill exempts the following items from property tax:

1. cellular mobile telephones, computers, and mobile electronic devices (e.g., text messaging and paging devices, personal digital assistants, video gaming devices, digital video disk players, and digital cameras) used by and belonging to a family and
2. machinery and equipment used to color or mix paint that is used by paint retailers, including spectrographic color matching machines, automatic colorant dispensers, paint shakers, and related computer equipment.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/27/2017)